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C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 000826

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TAGS: [PGOV](#) [PDEM](#) [ID](#)

SUBJECT: "STRANGE BEDFELLOWS" -- PRESIDENT YUDHOYONO  
WORKING WITH FORMER PRESIDENT MEGAWATI ON ELECTION COALITION

REF: A. JAKARTA 820

[1](#)B. JAKARTA 804 AND PREVIOUS

Classified By: Pol/C Joseph L. Novak, reasons 1.4(b+d).

[1](#)1. (C) SUMMARY: President Yudhoyono and former president Megawati have seemingly declared a detente in their longstanding political cold war and begun serious coalition talks ahead of the July presidential election. As a quid pro quo for Megawati abandoning her quest for the presidency to support Yudhoyono, the President would offer Megawati's party a number of seats in the new Cabinet. This alliance seems to position Central Bank Governor Boediyono as the strongest VP running mate prospect for Yudhoyono. All that said, the situation is fluid and things could realign again before Yudhoyono formally announces his ticket on May 15. END SUMMARY.

FIERCE OPPONENTS BURYING THE HATCHET?

[1](#)2. (C) In an unexpected political move, President Susilo Bambang Yudhoyono has reached out to former President Megawati Sukarnoputri to explore forming a coalition ahead of the July presidential elections. Following talks between Yudhoyono's Partai Demokrat (PD) and Megawati's Indonesian Party of Democratic Struggle (PDI-P) held over the weekend of May 8-10, Yudhoyono stated on May 10, "There appears to be goodwill between the two parties to communicate, so we're beginning substantial talks, and if possible, reconciliation."

[1](#)3. (C) If Megawati joins with Yudhoyono, it would be a political shocker. One contact told us that the two would be the ultimate in "strange political bedfellows." Megawati has held a grudge against Yudhoyono since 2004 when he resigned as her security minister to make a successful run for president, defeating Megawati. Yudhoyono made the first gesture to mend fences on May 6 when he sent his trusted State Minister Hatta Rajasa to Megawati's home. This meeting also was attended by PDI-P Advisory Board Chair Taufik Kiemas (Megawati's husband) and PDI-P Secretary General Pramono Anung. Talks on finding common ground and sharing of Cabinet positions have intensified through May 12.

[1](#)4. (C) Up until May 6, Megawati had been expected to announce retired General Prabowo Subianto, head of the Gerindra Party, as her running mate. However, the notoriously irascible Prabowo was vacillating and apparently leaning towards launching his own presidential bid, not liking the prospect of being number two on a ticket with Megawati. PDI-P seems to have decided to drop Prabowo, his fickle behavior and poor human rights record not boding well for a lasting partnership. If PDI-P does indeed abandon their possible partnership, Prabowo seems to have slim chances of forming a coalition to run for president. (Note:

Megawati was a strong opponent of the Suharto regime; Prabowo one of its strongest defenders, including via the employment of violent methods such as the kidnapping of opposition members. Given this historical chasm, critics have said that the possible link up with Prabowo would have meant a big loss in credibility for Megawati.)

¶5. (C) With Prabowo apparently out, Megawati was left with few alternatives to form a coalition large enough to meet Indonesia's complicated threshold requirements to run for president. (Note: PDI-P received only 14% of the vote in the April parliamentary elections and needs partners.) Golkar (another major party) had already announced that VP Jusuf Kalla would run with retired General Wiranto of the Hanura Party and PD had an apparent lock on a coalition with all the other major parties.

¶6. (C) Megawati has demanded a high price for her allegiance. Yudhyoyono reportedly offered PDI-P a half dozen ministerial slots plus a position for Megawati as the Chair of the Presidential Advisory Council. Speculation is that Cabinet seats would go to the capable PDI-P Chair Pramono Anung and Megawati's daughter, Puan Maharani, who came in first for PDI-P in Parliamentary elections for the electoral district of Solo, Central Java.

¶7. (C) Opinions are mixed as to how a PD/PDI-P coalition might affect Yudhyoyono's government (if he is indeed re-elected later this year). PDI-P is patronage-oriented, built around Megawati. It has a strong grassroots network, however, and many dynamic younger leaders who could emerge in the next five years as Megawati's star fades. PDI-P is

JAKARTA 00000826 002 OF 002

strong on religious pluralism but weak on market-oriented reforms, tending towards protectionism. It tends to be hawkish on national unity issues such as Aceh and Papua. A coalition with PDI-P might make it easier for Yudhyoyono to get legislation through Parliament since PDI-P has often been a major impediment to Yudhyoyono's legislative initiatives.

CENTRAL BANK GOVERNOR AS VP?

¶8. (C) In addition, a PD/PDI-P coalition would alter Yudhyoyono's VP running mate scenario. (Note: Yudhyoyono has made clear that he does not plan to choose current VP, Jusuf Kalla, as running mate again.) The leading candidate had been Hatta Rajasa (ref B), but he would be less acceptable to PDI-P since he comes from the National Mandate Party (PAN). PAN is an Islamic-leaning party, which makes the secular-oriented PDI-P nervous. In the meantime, Bank of Indonesia (Central Bank) Governor Boediyono's stock as a running mate possibility has again risen. A talented economist, he served as Finance Minister under Megawati and is said to be liked by her. While Boediyono is purely a technocrat with no political party base, PDI-P's support would more than make up for that.

¶9. (C) Boediyono (one name only) has a reputation for integrity. He had a prestigious career as an economist, including with Bank of America in Jakarta, State Minister for National Planning and Development under President Habibie, Finance Minister 2001-2004 under Megawati, and as Central Bank Governor since 2008. He has written several economics textbooks. He has a degree in economics from the elite Gajah Mada University in Yogyakarta, a masters in economics from Monash University in Melbourne, and a PhD in business economics from Wharton School at the University of Pennsylvania. He speaks fluent English.

SITUATION FLUID

¶10. (C) The situation is fluid and things could yet realign before Yudhyoyono formally announces his ticket on May 15. Already there is word that some Islamic-oriented parties are

not happy with a PD-PDIP link-up and are threatening to bolt from Yudhoyono's coalition. If President Yudhoyono can keep everyone on board--and add PDI-P to his coalition, he will be in a formidable position as he goes into the July election--and he already has a huge lead in the polls.

HUME